

Reading Municipal Light Board of Commissioners

Regular Session
230 Ash Street
Reading, MA 01867
January 23, 2008

RECEIVED
TOWN CLERK
READING, MASS.

2008 FEB 21 P 4: 05

Start Time of Regular Session: 7:32 p.m.
End Time of Regular Session: 9:22 p.m.

Attendees:

Commissioners:

Ellen Kearns, Chair
Mary Ellen O'Neill, Secretary

Richard Hahn, Vice Chair
Robert Soli, Commissioner

Staff:

Vinnie Cameron, General Manager
Gerry Cavanaugh, Station Supervisor
Robert Fournier, Accounting/Business Manager
Peter Price, Chief Engineer

Beth Ellen Antonio, Human Resources Manager
Jeanne Foti, Executive Assistant
Patricia Mellino, Operational Assistant
William Seldon, Senior Energy Analyst

Citizens' Advisory Board:

John Norton

Opening Remarks

Chair Kearns said that it has been cold, that customers' bills have gone up and she encourages customers to contact the RMLD with any questions they may have. Chair Kearns also suggested contacting the RMLD on its green power initiatives, how to conserve energy, and lower bills.

Introductions

Chair Kearns polled for customer comments, selectmen's liaison comments and Citizens' Advisory Board comments.

Citizens' Advisory Board member Mr. Norton said that he would like to thank the employees of the RMLD for a job well done during 2007. Noting that he receives feedback from the citizens of North Reading, Mr. Norton stated that the employees of the RMLD have a high level of competency and are very polite.

Chair Kearns asked Mr. Cameron to pass that message on to RMLD employees.

Approval of Minutes for December 19, 2007 Board Meeting

Chair Kearns had a question on page 2 of the minutes, "In response to a question from Mr. Pacino about page 13, line one, showing the RMLD pension trust audit fees at \$27,000, and payment to Melanson & Heath at \$12,000, Mr. Fournier said that he would get back to him on the status of the remaining \$15,000."

Mr. Fournier replied that this was a misclassification, that Melanson & Heath performed the audit, and this will be reflected in the December Financials.

Ms. O'Neill made a motion seconded by Mr. Hahn that the Board approve the Regular Session meeting minutes of December 19, 2007.

Motion carried 3:0:1. Mr. Soli abstained.

Chair Kearns reported that Commissioner Pacino is out of town and therefore unable to make this evening's meeting.

Quarterly Financial Updates

Mr. Fournier said that the December Financials are for the first six months of fiscal year 2008.

The Change in Net Assets for December was a loss of \$787,000 due to the Fuel Expense exceeding the Fuel Revenue. The year-to-date Change in Net Assets is a positive \$1.7 million, compared to the budgeted amount of \$1.9 million for these first six months. On the revenue side, actual Base Revenues for the first half of the year are at \$19.7 million compared to the budgeted amount of \$20.6 million. The commercial sector is under budget by \$1.4 million and the residential sector is over budget by \$500,000 for the six-month period.

Quarterly Financial Updates

On the expense side, the Purchase Power base is over by \$240,000 due to the increase in transmission and capacity costs. The actual Purchase Power costs were \$11.1 million compared to the budgeted amount of \$10.8 million for July through December, 2007. Operating and Maintenance expenses are under budget by \$600,000 or 10%, coming in at \$5 million compared to the budgeted amount of \$5.6 million for the first six months. The major categories that are under budget are: Professional Services by \$250,000; General Expenses, \$75,000; Insurance, \$51,000; Garage and Stockroom, \$84,000; and Hazardous Waste and Spills, \$53,000. All five divisions are under budget by \$600,00 on a combined basis. Depreciation Expense and Voluntary Payments to the towns are on budget.

The Operating Fund balance is at \$15.2 million, however, there is \$8 million in payables, and based on this evening's presentation there will be a transfer of \$1.0 million for the transformers for the Gaw project. The Capital Fund balance is \$3.8 million; the Rate Stabilization Fund, \$6.3 million; and the Deferred Fuel Cash Reserve, \$1.6 million.

Mr. Fournier reported that the FY2009 budget preparation work would start soon and the first draft of the budget will be ready for the Citizens' Advisory Board by March 31. The mileage allowance has been increased for calendar year 2008 and employees will now be reimbursed at \$0.505 per mile. The fuel charge will continue to increase.

Mr. Cameron said that the Board will have a meeting in February to discuss the philosophical ideas behind the capital and operating budgets.

Mr. Fournier informed the Board that based on six months of actual figures and six of budgeted figures, the Six Year Plan shows a projected over-recovery for FY2008 of \$500,000. This does not include an increase in the capital expenditure for the Gaw transformers.

In response to a question from Ms. O'Neill, Mr. Cameron said that there is an additional Customer Service employee who was hired recently. There were a couple of employees with health issues and given the fact there might be room for a new person within the next year or so the decision was made to hire now. The temporary employee has been let go.

Ms. O'Neill expressed her concern that the Board had approved a certain number of FTE's for that department as part of the FY2008 budget and that, in addition, the department was given twenty-two more hours per week with the approval of the new contract with no increase in the hours that the office is open. Ms. O'Neill asked if this was to be an ongoing commitment to increased staff in that department and expressed her additional concern about the three vacancies in the Engineering Department.

Mr. Cameron told Ms. O'Neill that he would speak to her on this issue after the meeting.

In response to a question from Mr. Soli, Mr. Fournier replied that the Calpine account was completely depleted, including \$260,000 in interest income that the account had earned.

Report from RMLD Board Subcommittees

Green Power Subcommittee and Power Contract, Rate Subcommittee

Ms. O'Neill said that the Green Power and Power Contract Rate Subcommittees had met in early January with staff and the chief consultant from the GDS firm to review and discuss the draft of the energy efficiency technical potential and renewable energy study. Also available, but not discussed, at that meeting was a copy of a proposal prepared by Reading resident Matt Wilson for a graduate course requirement for a green action program in the RMLD service area. The goal is for the GDS study to come to the Board next month as information. Ms. O'Neill expressed her desire to see a summary that indicates where the RMLD should head with the information provided by the GDS study. She would also like the Green Power Subcommittee to set some goals for the coming year. Ms. O'Neill expressed her interest in some innovative programming for the new year in light of the energy and environmental challenges that we all face.

Chair Kearns asked Mr. Hahn if he had anything to add.

Report from RMLD Board Subcommittee

Green Power Subcommittee and Power Contract, Rate Subcommittee

Mr. Hahn said that the GDS report quantified the opportunities for implementing energy efficiency within the RMLD service area and that the level of savings that they identified is relatively consistent with similar studies that he has seen.

Mr. Hahn stated that the next step is for the Board to decide whether they want to design programs and set budgets in order to facilitate such programs. It is not an easy decision because these programs take time and money with the paybacks down the road.

Mr. Hahn explained that GDS also outlined some renewable technology the RMLD could consider such as geothermal heat pumps. Unfortunately there are limitations because the service territory lacks hydro facilities and has limited wind potential.

In response to a question from Chair Kearns, Ms. O'Neill replied that the GDS study did not contain any suggested program design; its focus was on reviewing the potential for energy efficiency.

Chair Kearns said she would like to see a recommendation to the Board as to the next step the Board can take in terms of the report. Chair Kearns also asked Mr. Cameron why the planning horizon had been changed from twenty years, which was in the request for proposal, to ten years.

Mr. Hahn commented that he has numerous studies on his desk that are for a ten-year timeline, which is the typical planning horizon. Mr. Cameron said that there is a long payback on projects that go out twenty years.

General Manager Subcommittee

Mr. Soli reported that the General Manager Subcommittee had met this evening and discussed the General Manager's goals for last year and how they were met. It was a very good evaluation in which the specifics will be discussed at next month's meeting. The subcommittee would like to have another General Manager Subcommittee meeting before the next Board meeting to establish goals for the next year.

Mr. Soli said that if anyone has comments on the General Manager's evaluation to get them to him within the next couple of weeks.

Chair Kearns suggested that all Board members get a copy of the General Manager's goals to determine if they are appropriate or whether any other criteria should be added.

M. G. L. c. 30B Bids

IFB 2008-18 15KV 600 Amp Live Front Pad Mount Switchgear

Mr. Price stated that this bid is for padmount switchgear and that WESCO is the lowest qualified bidder.

Ms. O'Neill clarified that on the main page of the memo it usually states the budgeted amount. Ms. O'Neill wanted to know if these were in the capital or operating budget?

Mr. Price replied that these items are not specifically in the capital budget because they are going into stock and right out to projects. Two are going to Regency Place on West Street, Wilmington; one is part of the Haven Street project; and one is for a reliability project in Wilmington. This will leave the RMLD with two spares with which to replace the current stock. Mr. Price clarified that there is no budgeted amount for these items.

Ms. O'Neill made a motion seconded by Mr. Hahn that bid 2008-18 for Pad-mounted Switchgear be awarded to WESCO for a total cost of \$46,100.00 as the lowest qualified bidder on the recommendation of the General Manager.

Motion carried 4:0:0.

M. G. L. c. 30B Bids

IFB 2008-19 Three Phase Pole Mount Transformers

Mr. Price said that in the last fiscal year there was only one bidder for pole mounted transformers, ABB. This time there was only one bidder again, ABB bid through WESCO.

In response to a question from Chair Kearns about why there was only one bidder, Mr. Price replied that he is not sure, but some manufacturers may not be making three phase pole mount transformers because they cannot be competitive with ABB.

Chair Kearns asked what the other bidders are making if they are not making three phase? Mr. Price replied that Cooper and GE do not manufacture three phase polemounts just single phase polemounts.

Mr. Hahn noted that this is the second time that the RMLD is going with the only bidder and asked if there any steps that can be taken to expand the pool of bidders.

Mr. Cameron said that he will check into this.

Ms. O'Neill commented that the FR3 oil was not used in the Gaw station transformers and requested that the next time transformer bids go out that the RMLD try to purchase a couple with the FR3 oil. Ms. O'Neill said that the RMLD should go out to bid based on what it is going to purchase in the course of an entire year, and that this approach, with a higher number of units requested, might entice other potential bidders.

In response to a question from Ms. O'Neill, Mr. Price replied that Waukesha does not make this product rather it makes station-sized transformers and that Cooper does not bid directly.

Ms. O'Neill made a motion seconded by Mr. Hahn that bid 2008-19 for Three Phase Pole Mounted Transformers be awarded to WESCO for a total cost of \$96,649.00 as the only qualified bidder on the recommendation of the General Manager.

Motion carried 3:1:0. Ms. O'Neill voted against the motion.

IFB 2008-20 Four 115KV 1200 Amp Disconnect Switches

Mr. Cavanaugh asked that the bid be awarded to Power Tech as the lowest qualified bidder for a total cost of \$41,350.

In response to questions from Board members, Mr. Cavanaugh said that the RMLD has dealt with Power Tech before, but he has not. The switches are going to Substation 4 to replace existing switches, there are ten switches there now and four will be replaced.

Ms. O'Neill made a motion seconded by Mr. Hahn that bid 2008-20 for 115KV 1200 Amp Disconnect Switches be awarded to Power Tech for a total cost of \$41,350.00 as the lowest qualified bidder on the recommendation of the General Manager.

Motion carried 4:0:0.

IFB 2008-24 12,240 Feet of 750 MCM Single Conductor

Mr. Price said that this bid is for 750 MCM copper shielded power cable and will be used to replace circuit 4W23. Mr. Price said that Arthur Hurley came in with the lowest bid at a unit cost of \$19.57 and the net cost not to exceed \$255,212.37.

Chair Kearns noted that WESCO had a significantly shorter delivery date and was only \$1,000 higher.

Mr. Price replied that the RMLD has some material in stock and this project will start in the spring so the longer delivery date of the Arthur Hurley Company will not be an issue.

M. G. L. c. 30B Bids

IFB 2008-24 12,240 Feet of 750 MCM Single Conductor

Ms. O'Neill made a motion seconded by Mr. Hahn that bid 2008-24 for 750 MCM Cable be awarded to Arthur Hurley Company for a total cost not to exceed of \$255,212.37 as the lowest qualified bidder on the recommendation of the General Manager.

Motion carried 4:0:0.

Power Supply Report

Mr. Seldon reported that the RMLD's metered load was 4.71% higher than December 2006, an increase driven primarily by the colder weather. December 2007 energy sales were 2.43% higher than December, 2006. Energy costs for the month were \$4.9 million, equivalent to 7.7¢ per kilowatt hour. The RMLD under collected by \$1.2 million leaving a Deferred Fuel Cash Reserve Fund balance of \$1.6 million. The RMLD purchased 21% of its energy requirement from the spot market. The day ahead market prices for December were 32% higher than November 2007. The Real Time prices were 34.1% higher than November 2007. December was the second month of the heat rate contracts which are tied into the natural gas pricing and which represent approximately 50% of the RMLD's energy requirements. The average cost for December was \$71.44 per megawatt hour.

On the capacity side, the December peak demand was 117,222 kilowatts and this occurred on Thursday, December 13 at 6:00 pm. The December UCAP requirement of 223.5 megawatts cost \$1.4 million or \$6.28 per kilowatt month.

In response to a question from Mr. Hahn, Mr. Seldon said that the heat rate contract is with Constellation.

In response to a comment from Mr. Soli with regard to the attractive price of this contract, Mr. Seldon pointed out that this reflects the hedging program the RMLD has put into place.

In response to a question from Ms. O'Neill, Mr. Seldon said that, barring any unforeseen events; the fuel charge should catch up with actual costs by March or April.

Engineering and Operations Update

Mr. Cameron reported that routine construction is over budget by \$93,000, the carryover to the Lynnfield project to this year from last year was another \$127,000, and the Lynnfield substation has been de-energized.

Mr. Cameron reported that the Martin's Pond area will be put off until 2009 because of the force account work on Lowell and West Street in Wilmington. The Salem Street/Glen Road feeder is under consideration to be delayed until fiscal year 2009. The Reading Main Street/Haven Street upgrades will not be performed until the Reading center construction beginning this April is completed. The side disconnects will be ordered quickly.

The station transformers for the Gaw substation are on order. Mr. Cameron said that he has a memo on this under the General Manager's report which explains that the upfront payment to the manufacturer is \$1.8 million instead of \$927,000, but the bid price remains the same at \$4.5 million. The firewalls will go into the design of the new transformers.

Mr. Cameron said that the reliability statistics indicate that the RMLD continues to be below the national averages for the SAIFI and CAIDI indices.

In response to a question from Chair Kearns, Mr. Cameron replied that he learned about the increase in the down payment for the Gaw transformers just a little bit before writing the memo to the Board. Mr. Cameron said that the RMLD underestimated that payment because they thought the transformers and upfront payment would be less. Mr. Cameron said that the RMLD has the money to pay for the increase.

In response to a question from Chair Kearns, Mr. Cameron confirmed that the bid price approved by the Board will remain the same.

In response to Ms. O'Neill's comment that the memo states that the bid price was higher than originally estimated, Mr. Cameron replied that when the capital budget was prepared in May the RMLD did not have the bid price nor did it anticipate that it would come in so high. The bid went out in the fall.

Engineering and Operations Update

In response to a concern expressed by Mr. Soli, Mr. Cameron said that the RMLD has protections in the agreement and that Waukesha needs to supply a performance bond within thirty days of signing the contract.

Ms. O'Neill distributed a handout she had prepared showing the major groupings of the capital budget with costs to date at the six-month mark compared to budgeted amounts.

In response to a question from Ms. O'Neill about the carryover costs to decommission the Lynnfield substation, Mr. Cameron explained that during the budget process it was unsure how much activity would be left in Lynnfield, some carryover was anticipated and this was put in routine construction.

Ms. O'Neill expressed her concern that the capital budget is prepared and approved without an indication being provided of the priority given to the different items. Noting that overspending in certain areas requires changes, Ms. O'Neill expressed her interest in knowing how the decisions are made regarding which projects are continued, delayed, or put off until the following year. Ms. O'Neill also indicated that she would like the capital budget monthly report to be organized such that it matches the budget summary in the capital plan. She also pointed out the large variance in items 18 and 19, New Service Connections, and expressed her interest in knowing how the money is allocated in these categories and how it relates to overtime costs. She continues to be concerned about the amount of money that the department spends on overtime and feels this needs to be brought under control. Ms. O'Neill noted that she would like to see the in-house projects, such as the upgrade to the lobby, completed.

Mr. Cameron pointed out that a fork truck has been purchased, as have security cameras, meter purchases and line vehicles.

Chair Kearns said that methodologies by which the General Manager could keep the Board updated on variances in the capital budget and actual expenses were discussed at the General Manager Subcommittee meeting. Chair Kearns recommended that any suggestions on ways to report these variances be given to her or to the General Manager Subcommittee.

In response to Ms. O'Neill's concern about how projects are tracked and prioritized, Chair Kearns said that the need to have a methodology to address this was also discussed at the General Manager Subcommittee.

General Manager's Report

Energy Conservation Measures

Mr. Cameron said that at the last Board meeting Ms. O'Neill had asked for three years worth of information on energy conservation measures and he has provided information on fiscal years 2006 and 2007.

Chair Kearns received a request to increase the amount the RMLD gives to these programs in this fiscal year. Chair Kearns would like Mr. Cameron to look into this.

Mr. Cameron said that as discussed at the last Board meeting, the energy audit budget has not been completely spent because the RMLD has not performed as many energy audits as it had anticipated and some monies may be transferred to the HEATWAP program.

Chair Kearns wanted to acknowledge the letter she received regarding that issue and she is looking into it.

Annual Revenue on Commercial and Industrial Sales, Private Streetlighting, Municipal Buildings

Mr. Cameron said that at the last meeting Chair Kearns had pointed out in the November Financials that the line item for Annual Revenue on Commercial and Industrial Sales, Private Streetlighting and Municipal Buildings was 11.89% lower than budgeted. Mr. Cameron reported that it is on budget for the Base Sales and that it is the Fuel that is down approximately 11.3% from last year.

2008 American Public Power Association National Conference

New Orleans, Louisiana June 21 to June 25, 2008

Mr. Cameron said that he usually attends the annual conference of the American Public Power Association and that he would like to attend the 2008 conference.

**2008 American Public Power Association National Conference
New Orleans, Louisiana June 21 to June 25, 2008**

Mr. Soli made a motion seconded by Mr. Hahn to approve the General Manager's attendance at the 2008 American Public Power Association National Conference in New Orleans, Louisiana from June 21 to June 25, 2008.

Motion carried 4:0:0.

In response to a question from Ms. O'Neill, Chair Kearns said that the regular Board meeting date for February was changed because she has a prior commitment for that date.

In response to a question from Mr. Hahn about the January CAB meeting, Mr. Cameron said that he would be sending out an e-mail on it.

After being recognized for a point of personal privilege by Chair Kearns, Ms. O'Neill gave copies of *PLAN B 3.0: Mobilizing to Save Civilization* by Lester R. Brown to each Board member and two to the Department. Ms. O'Neill said that the book is informative and challenging and the author looks at all the different issues people are facing from the oil situation to global warming, agriculture, food and water shortages and provides his responses to these issues. Ms. O'Neill has also given copies of this book to the Reading Town Manager, Board of Selectmen, and Library.

NEXT BOARD MEETINGS:

Wednesday, February 12, 2008, Strategic Planning

Wednesday, February 20, 2008

Wednesday, March 26, 2008

At 8:35 p.m. Ms. O'Neill made a motion seconded by Mr. Soli that the Board go into Executive Session to discuss the deployment of security measures and return to Regular Session for the sole purpose of adjournment.

Motion carried by a polling of the Board 4:0:0.

Mr. Hahn, Aye; Mr. Soli, Aye; Ms. Kearns, Aye; and Ms. O'Neill, Aye.

Motion to Adjourn

At 9:22 p.m. Mr. Soli made a motion seconded by Mr. Hahn to adjourn the Regular Session.

Motion carried 4:0:0.

A true copy of the RMLD Board of Commissioners minutes
as approved by a majority of the Commission.

Mary Ellen O'Neill, Secretary
RMLD Board of Commissioners